TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation	ITEM NUMBER: <u>7a</u>
	ATTACHMENT (S):1
ACTION:	MEETING DATE: October 8, 1998
INFORMATION: X	PRESENTER: Ms. DuCray-Morrill

Budget Update

Summary

The Budget Bill was signed on August 21 by the Governor. The Budget Act includes language to require the System to perform a valuation on June 30, 1998 data to be completed by April 1, 1999 instead of waiting until June 30, 1999 data, when the next scheduled valuation is to be conducted. The Budget Act also includes an additional \$50,000 from the Teachers Retirement Fund to pay for the valuation.

Recommendation

The Staff continues to recommend the Board take no action at this time to deviate from the current schedule for conducting CalSTRS actuarial valuations. Based on this schedule, the next valuation will be conducted on June 30, 1999 data and will be presented to the Board approximately March 2000. The Board could choose to modify the current schedule at a future date if that action was deemed appropriate.

Given the enactment of the benefit enhancement package, the maximum benefit to the General Fund of accelerating the valuation is substantially less than it would have been under the law in effect when the Budget Act was signed. Staff will be talking to interested legislators about the need for an accelerated valuation, given the enactment of the new funding mechanism. If the valuation determines that the TRF was fully funded, General Fund contributions to the TRF would only decline by about \$85 million in 1999-2000.

Monthly Status

Also attached for your information is a status report that represents the progress of legislation to date (Attachment I).

CA AB 88 AUTHOR: Baca

TITLE: CalSTRS: Rule of 85

AMENDED: 04/02/98 LOCATION: Vetoed POSITION: *Support

SUMMARY: Allows a member of STRS, who is at least 55 years of age, (or any older age specified by the TRB) to retire, subject to employer option on or after July 1, 1999 with full retirement benefits, if the sum of the member's age and years of credited service equals or exceeds 85.

COSTS: Program - No cost to system, all costs paid by employer

Administrative -No cost to system, all costs paid by employer

P - CTA (Sponsor), ACSA, ART, BOG, CalSTRS, CFT, CRTA, FACCC, UTLA O - Cal-Tax, DOF

CA AB 884 AUTHOR: Honda

TITLE: Compounded COLA

AMENDED: 03/02/98

LOCATION: Senate Appropriations (Suspense File)

POSITION: *Support, if amended

SUMMARY: Requires that the '2% improvement factor' applied to benefit payments from the CalSTRS Defined Benefit Plan be compounded, beginning September 1, 1999.

COSTS: Program - 0.944% of payroll or \$154 million (1997/98 payroll

estimated \$16.35 billion)

Administrative - One time cost of \$196,000

P - CFT (Sponsor), ACSA, ART, BOG, CRTA, CTA, FACCC, FCPHE, UTLA O - Cal-Tax, DOF

CA AB 1102 AUTHOR: Knox

TITLE: CalSTRS Benefits

AMENDED: 08/27/98 LOCATION: To Governor POSITION: *Co-sponsor

SUMMARY: Extends eligibility to receive credit at retirement for unused sick leave to those who became members on and after July 1, 1980, and who retire on or after January 1, 1999. Vests the funding stream transferred to the SBMA, as specified. Increases the age factor of the member with 30 or more years of service, by .2% up to 2.4% of final compensation.

COSTS: Program - Annual cost of \$140 million to finance the cost of the

career factor and unused sick leave for 30 years

Administrative - Minor, absorbable

P - CalSTRS, ACSA, ART, BOG, CalPERS, CFT, CRTA, CSEA, CTA, FACCC,

UTLA

O - None Known

CA AB 1150 AUTHOR: Prenter and Ashburn

TITLE: 2.4% of age 63

AMENDED: 08/27/98 LOCATION: To Governor POSITION: *Co-sponsor

SUMMARY: Increases the benefit factor of 2% at age 60 to 2.400% at age 63.

COST: Program - \$331 million annually for 30 years

Administrative - One time cost of \$150,000, of which \$100,000 is

absorbable. START costs undetermined at this time

P - Authors, CalSTRS, ACSA, ART, CFT, CRTA, CTA, FACCC, UTLA

BILL NO. >>> STATUS <<<<<<<<<<

CA AB 1166 AUTHOR: House

TITLE: Minimum Standards for Community College Counselors and

Librarians, Part Time and Adult Ed

AMENDED: 08/24/98 LOCATION: To Governor POSITION: *Co-sponsor

SUMMARY: Establishes a minimum standard of 175 days or 1,050 hours for full-time service and compensation for California community college counselors and librarians. Modifies the minimum standard service for adult education programs, and part-time credit and non-credit and adult education community college instructors.

COST: Program - None

Administrative - Minor, absorbable

P - CalPERS, CalSTRS (Co-sponsors), AFSCME, CFT, CRTA. CSEA, FACCC

O - None

BILL NO. >>> STATUS <<<<<<<<<<<<

CA AB 1744 AUTHOR: Knox, Honda & Pereta

TITLE: Tobacco Investments

AMENDED: 05/07/98

LOCATION: Assembly Appropriations (Suspense File)

POSITION: *Oppose

SUMMARY: Would: 1) prohibit new or additional investments by the TRF and the PERF in tobacco companies on and after January 1, 1999; 2) require phased divestment of one-third of current holdings each year beginning January 1, 2000, and continuing until January 1, 2002; 3) require the Board to make specified investment valuations at specified intervals; declare that specified results of such valuations be considered as a normal cost deficit pursuant to Section 22955 (Elder Full Funding); and 4) require both STRS and PERS to report to the Legislature on or after January 1, 2002 regarding the effect of the divestiture on employer contribution rates. The bill provides for indemnification for Board members and their agents and employees in the event of lawsuit.

COST:

Program - Annual investment losses of \$28.1 million and a one time cost of \$8.1 million in lost commissions, or 2.15% of the value of STRS tobacco holdings to divest in tobacco and related investments

Administrative - Possible \$.9 million in commissions, or about \$300,000 each of the three years, to divest in tobacco and related investments

P - Authors (Sponsors), AFSCME, ALA, CPFFA, CalPIRG, CTA, Phil Angelides for Treasurer

O - Cal-Tax, PERS, STRS, Other interested parties

BILL NO. >>> STATUS <<<<<<<<<<

CA AB 2765 AUTHOR: Assembly PER&SS

TITLE: CalSTRS Technical Housekeeping

AMENDED: 08/20/98 LOCATION: To Governor POSITION: *Sponsor

SUMMARY: Makes various technical and conforming changes to the TRL. Extends sunset date on earnings exemption for retirees teaching in class size reduction. Deletes requirement for quarterly asset reports to the Legislature. Extends the sunset date to January 1, 2005, for electing Medicare coverage.

COST: Program - None

Administrative - None

P - CalSTRS (Sponsor), ACSA, CFT, CRTA, CTA, SSDA, UTLA

CA AB 2766 AUTHOR: Assembly PER&SS

TITLE: Final Comp for LAUSD

AMENDED: 04/20/98

LOCATION: Senate Appropriations (Suspense File)

POSITION: *Oppose

SUMMARY: Revises the definition of final compensation for specified LAUSD members who retired in the early 1990's. Funding would be at least partially provided by LAUSD.

COST: Program - No net costs to system; LAUSD would be required to

pay the actuarial present value of any benefit increase

Administrative - Significant, approximately \$500,000 for

implementation of the LAUSD final compensation proposal

P - ACSA Region 16-{Retired} (Sponsor), ART

O - CalSTRS, LAUSD (Oppose unless amended, re: funding source)

CA AB 2768 AUTHOR: Assembly PER&SS

TITLE: Board Elections

LOCATION: Vetoed

POSITION: *No Position

SUMMARY: Requires that the four 'teacher' members of the TRB be elected to the Board from their respective constituencies rather than appointed by the Governor.

COST: Program - None

Administrative - Annual costs would vary according to the Board composition under election. However, estimated \$288,864 for FY 1998-99; \$148,740 for FY 1999-2000; \$85,936 for FY 2000-01.

P - PER&SS (Sponsor), ART, CTA, CFT, CRTA, FACCC

BILL NO. >>> STATUS <<<<<<<<<<<<

CA AB 2804 AUTHOR: Assembly PER&SS

TITLE: CalSTRS 'Benefits

AMENDED: 08/28/98 LOCATION: To Governor POSITION: *Co-sponsor

SUMMARY: Reamortized the unfunded liability to 2027; reduces the transfer of funds from the Controller to the TRF to 65% of the value of he percentage of payroll transferred under current law; continues the existing .307% of payroll to the TRF currently spent on ad hoc increases and; continues the existing .25% of payroll to the TRF currently spent on credit for unused sick leave.

COST: Program - General fund savings: FY 1998-99 \$577 million; FY

1999-2000 \$158 million; FY 2000-2001 \$213 million

Administrative - None

 $\mbox{\sc P}$ - CalSTRS, Assembly PER&SS, ACSA ART, CFT, CRTA, CTA, FACCC, FCPHE, UTLA

O - None Known

CA AJR 63 AUTHOR: Prenter

TITLE: Elk Hills Naval Petroleum Reserve

LOCATION: Enacted 07/02/98 (Resolution Chapter: 82, Statutes of 1998)

POSITION: *Co-sponsor

SUMMARY: Memorializes the President and Congress to approve the appropriation of specified funds from the sale of the Elk Hills Naval Petroleum Reserve for the benefit of retired members of the CalSTRS.

COST: Program - No impact

Administrative - No impact

P - CalSTRS, CRTA, (Co-sponsors), ACSA, ART

BILL NO. >>> STATUS <<<<<<<<<<<

CA SB 1486 AUTHOR: Rainey

TITLE: New Option Beneficiary

LOCATION: Enacted 08/06/98 (Chapter 262, Statutes of 1998)

POSITION: *Support

SUMMARY: Permits a retired member to designate a new spouse as his or her new option beneficiary, under specified circumstances.

COST: Program - None

Administrative - Minor and absorbable

P - Constituent (Sponsor), CalSTRS, CFT, CRTA, CTA,

O - None Known

CA SB 1528 AUTHOR: Schiff

TITLE: Health Care Study

AMENDED: 05/26/98 LOCATION: To Governor POSITION: *Co-sponsor

SUMMARY: Requires TRB to conduct a study on health insurance, including vision and dental care, for active and retired CalSTRS members, beneficiaries, children, and dependent parents.

COST: Program - None

Administrative - \$200,000 for study appropriated in the bill

P - CalSTRS, ACSA, ART, AFSCME, CFT, CRTA, CTA, FACCC, UTLA

BILL NO. >>> STATUS <<<<<<<<<<<<

CA SB 1753 AUTHOR: Schiff

TITLE: Board Investment Decisions

AMENDED: 08/13/98 LOCATION: To Governor POSITION: *Neutral

SUMMARY: Prescribes procedures for (1) the consideration of specified financial matters involving vendors and contractors in closed sessions of the TRB and the CalPERS Board of Administration, and (2) the disclosure of gifts and campaign contributions within 12 months. Prohibits specified board member communications.

COST: Program - None

Administrative - No fiscal impact

P - Author (Sponsor), ACSA, CPFFA, CRTA, CTA, PERS, SCDSA

O - None Known

CA SB 1879 AUTHOR: Hayden

TITLE: State Government Financial Transactions: retirement systems

AMENDED: 08/21/98

LOCATION: To Enrollment POSITION: *No Position

SUMMARY: Provisions prohibiting the use of specified state funds, including TRF, in specified Swiss banks or Swiss investment firms from January 1, 1999 until January 1, 2000 deleted from the bill. Bill now has no impact on STRS.

COST: Program - None

Administrative - None

P - Authors (Sponsors), Various representatives of 9 Jewish organizations

O - DOF, PERS (Oppose unless amended), Swiss Bankers Association

BILL NO. >>> STATUS <<<<<<<<<<<

CA SB 1945 AUTHOR: Karnette

TITLE: CalSTRS Home Loan Program

LOCATION: Enacted 08/31/98 (Chapter 419, Statutes of 1998)

POSITION: *Co-sponsor

SUMMARY: Establishes a 100% financing home loan program providing CalSTRS to loan up to 5% of the home's purchase price/value using up to 50% of the members 'buyers' retirement contributions as collateral.

COST: Program - None

Administrative - No net cost to system. All costs paid by

participating members

P - Author, CalSTRS (Co-sponsor), ACSA, ART, CFT, CRTA, CTA, FACCC,

UTLA

O - None Known

CA SB 2047 AUTHOR: Lewis

TITLE: Change in Option

LOCATION: Enacted 08/24/98 (Chapter 349, Statutes of 1998)

POSITION: *Sponsor

SUMMARY: Provides (1) a new Option 8 allowing a member to select more than one option beneficiary, effective January 1, 2000; (2) for a change from Option 4 or 5 to Option 6 or 7 under specified circumstances; and (3) members upon retirement under an option with the greater of the benefit determined under the option factors in place at the time of retirement or in place at the time of election of a pre-retirement election of an option.

COST: Program - No net costs to system, any selected options would be

actuarially neutral

Administrative - Approximately \$125,000 is estimated as the cost for system modifications, printing, and postage necessary for the implementation of the change in options and the greater of the

option factors

P - CalSTRS (Sponsor), ACSA, CFT, CTA, CRTA, Family Law Section of State Bar of California

O - DOF

CA SB 2085 AUTHOR: Burton

TITLE: CalSTRS Cash Balance Plan

AMENDED: 08/24/98 LOCATION: To Governor POSITION: *Co-sponsor

SUMMARY: Merges the CB and the DB Plans and their respective trusts into

the TRF.

COST: Program - No fiscal impact

Administrative - None

P - CalSTRS, CFT, FACCC (Co-sponsors), CRTA

O - None Known

CA SB 2126 AUTHOR: Senate PE&R

TITLE: Repurchase of Service Credit

AMENDED: 08/25/98 LOCATION: To Governor POSITION: *Sponsor

SUMMARY: Permits (1) CalSTRS members to take up to 120 months to pay for permissive service purchases consistent with the payback period for out-of-state service credit; (2) the purchase of out-of-state service credit to count toward vesting; (3) the purchase of nonqualified service; and (4) expands the existing STRS credit enhancement program.

COST: Program - Participating members would pay any program costs

Administrative - Minor and absorbable

P - CalSTRS (Sponsor), ACSA, CFT

BILL NO. >>> STATUS <<<<<<<<<<<<

CA SB 2224 AUTHOR: Alpert

TITLE: Return to Unmodified

AMENDED 08/21/98 LOCATION: To Governor POSITION: *Co-sponsor

SUMMARY: Increases to an unmodified allowance the allowance paid to certain members who retired prior to 1991 under specified conditions. Funding for benefit from 1997-98 normal cost surplus.

COST: Program - \$31 million one-time cost

Administrative - Minor and absorbable

P - CalSTRS, CRTA, (Co-Sponsors), ACSA, CTA

O - DOF

Revised 09/25/98 4:18:19 PM

L E G E N D OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

ABBREVIATION ORGANIZATION

AALA Associated Administrators of Los Angeles

ACCCA Association of California Community College Administrators

ACLU American Civil Liberties Union

ACS American Cancer Society

ACSA Association of California School Administrators

AFSCME American Association of State, County and Municipal Employees

AFT American Federation of Teachers
AGENCY State and Consumer Services Agency

AHA American Heart Association
ALA American Lung Association

ALADS Association for Los Angeles Deputy Sheriffs

ART Association of Retired Teachers
AGO Attorney General's Office
BOE Board of Equalization

BOG Board of Governors, California Community Colleges

Cal-Tax California Taxpayers Association
CalPERS Public Employees Retirement System
CalSTRS State Teachers' Retirement System
CalPIRG California Public Interest Group

CASBO California Association of School Business Officers

CCA Community College Association

CCAE California Council for Adult Education

CFA California Faculty Association
CCC California Community Colleges
CFT California Federation of Teachers
CHA California Heart Association

CPOA California Peace Officers 'Association CPCA California Police Chiefs 'Association

CPFFA California Professional Firefighters Association

CRTA California Retired Teachers Association
CSAC California Association of Counties
CSBA California School Boards Association
CSEA California School Employees Association

CSL California Senior Legislature
CSU California State University
CTA California Teachers Association

DOE Department of Education DOF Department of Finance

DGS Department of General Services

DPA Department of Personnel Administration

FACCC Faculty Association of California Community Colleges

FCPHE Faculty Coalition for Public Higher Education

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ABBREVIATION ORGANIZATION

FTB Franchise Tax Board FSC Free Speech Coalition

LADSA Los Angeles Deputy Sheriffs 'Association LAUSD Los Angeles Unified School District

MPAA Motion Picture Association of America, Inc.
OCDE Orange County Department of Education

Public Agency Retirement System **PARS** PRF Public Employees Retirement Fund Retired Public Employees Association **RPEA RIAA** Recording Industry Association of America **SACRS** State Association of County Retirement Systems Sacramento County Deputy Sheriffs Association SCDSA Supplemental Benefit Maintenance Account SBMA **SDCOE** San Diego County Office of Education

SEIU Service Employees International Union
SLC State Lands Commission
SSC School Services of California

SSDA Small School Districts' Association

START State Teachers 'Automation Redesign Team

TFD Teachers for Fair Disability
TRB Teachers' Retirement Board
TRF Teachers' Retirement Fund
TRL Teachers' Retirement Law

USERRA Uniformed Services Employment and Reemployment Rights Act

UTLA United Teachers Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS Assembly Public Employees Retirement and Social Security

Senate IR Senate Industrial Relations